

EXHIBIT "DD"

1 WILLIAMS COMMUNICATIONS GROUP, INC.
2 any number of parties. But the information that
3 was in the Wall Street Journal did not come from
4 the company. It is very unfortunate that
5 incomplete and premature stories are leaked. So,
6 Your Honor, while we are very hopeful that we are
7 close, more importantly, we are very close to
8 filing a Disclosure Statement that would have a
9 detailed valuation, and that might bear some
10 relevance to Your Honor's consideration of this
11 morning's motion.

12 As I recall, where we left off on
13 June 27 was the following inquiry: One, what was
14 the standard that the Equity Committee had to meet?
15 The standard being that they had to show some
16 reasonable likelihood of solvency or recovery.

17 Your Honor, if I can share with you
18 what the capital structure looks like and kind of
19 zone in on the numbers that might be relevant
20 here. Williams Communications Group has bond
21 debts that is publicly outstanding in the
22 principal amount of approximately \$2.5 billion.
23 It also owes substantial sums to the parent
24 company, which alleges, the former parent company,
25 which also claims in excess of \$2.3 billion. At

1 WILLIAMS COMMUNICATIONS GROUP, INC.
2 the Debtor level we have also guaranteed the
3 claims owed to the banks that are the secured
4 lenders to our operations. The amount currently
5 outstanding to the banks is \$725 million. There
6 are additional obligations by the operating
7 company, Your Honor, for capital leases and funded
8 debts of approximately \$250 million. So where we
9 left matters, I think to focus on the value
10 analysis at our last hearing, even if assuming
11 arguendo that The Williams Companies' claims of
12 some \$2.3 billion plus were not to be allowed in
13 this proceeding, there is still, Your Honor,
14 claims to the bondholders exceeding \$2.5 billion
✓ 15 accruing interest, I am sure, in the context of an ✓
16 equity recovery beyond that, and obviously the
17 debt at the operating company.

18 If Your Honor would find it helpful,
19 although I do believe the burden is on the movant,
20 we have asked Tim Coleman, the managing director
21 of Blackstone, who is acting as the financial
22 advisor to the Debtor, to join us this morning.
23 Blackstone has been working on the valuation
24 sections of our Disclosure Statement and that
25 analysis, we would hope, in a matter of days until

17

1 WILLIAMS COMMUNICATIONS GROUP, INC.
2 it's filed. But Mr. Coleman is here, Your Honor,
3 and he would be prepared to share with the Court,
4 if he were asked to testify. If I may proffer his
5 testimony, Your Honor?

6 THE COURT: You may, subject to
7 comment.

8 MS. BALL: He would indicate, Your
9 Honor, that they have been studying the enterprise
10 valuation of Williams Communications in connection
11 with preparing the valuation sections of the
12 Disclosure Statement and the liquidation analysis.

13 Mr. Coleman would further testify
14 that the valuation of the enterprise on a going
15 concern basis, in the professional judgment of
16 Blackstone, has the range of 1.225 billion to
17 1.575 billion. That alternatively, Your Honor, if
18 we are not successful and the company is forced
19 into liquidation by reason of failing to confirm a
20 Plan in Chapter 11, there would be no recovery to
21 the holding company Debtor levels.

22 Your Honor, Mr. Coleman is here. As
23 I said, I don't believe it's our burden, but he is
24 prepared to share that aspect of his analysis,
25 which will shortly be public as we file the

1 WILLIAMS COMMUNICATIONS GROUP, INC.
2 months, if not longer, will damage this business.
3 But I think we can get beyond the speculation and
4 get to the specifics. As the Court is aware,
5 there is a pre-bankruptcy agreement with the
6 company's banks that permits this case to proceed
7 at the holding company level as a financial
8 restructuring without the entanglement of the
9 operating business in Chapter 11. That agreement
10 has an October 15th deadline, requires a
11 transaction to be completed by October 15 or the
12 banks are then free to exercise their remedy at
13 the operating company level. Should that happen,
14 and we are on a tight schedule as it is, but
15 should that happen, the likely result will be a
16 bankruptcy of the operating company. And I don't
17 think it takes speculation for the Court to
18 recognize that the increased complexity of having
19 the operation in bankruptcy dealing with the
20 issues of customers and vendors and employees is
21 certainly that enterprise value. So the cost of a
22 separate committee in this case is sure to be
23 substantial.

24 On the other side of the formula,
25 adequacy of representation. We heard a lot about